Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

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In the Matter of

Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection for Special Access CC Docket No. 93-162

REPLY OF THE NYNEX TELEPHONE COMPANIES

New York Telephone Company and New England Telephone and Telegraph Company

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TABLE OF CONTENTS

		<u>Page</u>
	SUMMARY	i
I.	INTRODUCTION	1
II.	THE NTCs' SPECIAL ACCESS EXPANDED INTERCONNECTION RATES ARE FULLY SUPPORTED	3
III.	THE TERMS AND CONDITIONS OF THE NTCs' SPECIAL ACCESS EXPANDED INTERCONNECTION TARIFF ARE NOT UNJUST OR UNREASONABLE	7
IV.	CONCLUSION	14

SUMMARY

In their Reply, the NTCs respond to the comments on their Direct Case filed by several parties on September 20, 1993. Several commenters repeat their charges that the LECs have attempted to make interconnection impractical by filing grossly unreasonable rates, terms and conditions. Despite their strident attacks on the LECs' tariffs, these commenters offer few specific examples of NTC rates, or terms and conditions which they claim to be unreasonable.

The NTCs demonstrate in their Reply that these charges against the NTCs are unsupported, and should be rejected by the Commission. The NTCs have provided complete and adequate cost support for their Special Access expanded interconnection recurring and nonrecurring rate elements. Moreover, several commenters acknowledge that the NTCs' rates for expanded interconnection are among the lowest in the industry. Furthermore, the Commission should be highly skeptical of CAP claims that they will not be able to compete under the rates for expanded interconnection proposed by the NTCs. The NTCs have provided expanded interconnection under state tariffs for more than two years. The only difference between the NTCs' state rates and their interstate rates is that the rates for cross-connections in the interstate jurisdiction are substantially lower.

Furthermore, the terms and conditions for interconnection set forth in the NTCs' tariff are reasonable. The NTCs have worked cooperatively with the CAPs to meet their needs throughout the process of implementing expanded interconnection in the intrastate jurisdiction. The Commission should promptly terminate this investigation of the NTCs' Special Access expanded interconnection tariff, without requiring further modification of the NTCs' rates or terms and conditions.

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) CC Docket No. 93-162
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Terms and Conditions for Expanded)
Interconnection for Special Access)

REPLY OF THE NYNEX TELEPHONE COMPANIES

New York Telephone Company ("NYT") and New England
Telephone and Telegraph Company ("NET") (collectively, the
"NYNEX Telephone Companies" or "NTCs") hereby submit their
Reply to the oppositions and comments to their Direct Case in
the above matter filed by various parties on September 20,

I. INTRODUCTION

On June 9, 1993, the Common Carrier Bureau ("Bureau") released the <u>Expanded Interconnection Tariff Order</u>² which,

Comments or oppositions to the NTCs' Direct Case were filed by Teleport Communications Group, Inc. ("Teleport"); MFS Communications Company, Inc. ("MFS"); Sprint Communications Company L.P. ("Sprint"); MCI Telecommunications Corporation ("MCI"); and The Association for Local Telecommunications Services ("ALTS"). Comments or oppositions to the direct cases of other LECs were also filed by Teleport Denver Ltd. and The Staff of the Public Utilities Commission of Ohio.

Ameritech Operating Companies, Transmittal No. 697, et al., 8 FCC Rcd 4569 (1993) ("Expanded Interconnection Tariff Order").

inter alia, partially suspended the Special Access expanded interconnection tariffs filed by the NTCs and other LECs, initiated an investigation into the lawfulness of these tariffs and imposed an accounting order. On July 23, 1993, the Bureau issued its <u>Designation Order</u>, 3 in which it ordered the LECs to (1) provide cost data in support of their proposed rates; and (2) justify certain of the terms and conditions contained in their tariffs. The NTCs filed their Direct Case on August 20, 1993, in compliance with the <u>Designation Order</u>. On September 20, 1993 several parties filed comments on the NTCs' Direct Case, and on those filed by the other LECs.

In their comments, several parties repeat their charges that the LECs have attempted to make interconnection impractical by filing grossly unreasonable rates, terms and conditions. Despite their strident attacks on the LECs' tariffs, these commenters offer few specific examples of NTC rates, or terms and conditions which they claim to be unreasonable.

These unsupported charges against the NTCs should be rejected by the Commission. The Commission should be highly skeptical of CAP claims that they will not be able to compete under the rates for expanded interconnection proposed by the

Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection for Special Access, Order, DA 93-951, CC Docket No. 93-162, released July 23, 1993 ("Designation Order").

For example, ALTS claims that the the LECs' tariffs "indicate their total resistance to moving forward towards the Commission's Expanded Interconnection objectives." (ALTS at p. 39.)

The NTCs have provided expanded interconnection under state tariffs for more than two years. 5 The only difference between the NTCs' state rates and their interstate rates is that the rates for cross-connections in the interstate jurisdiction are substantially lower. 6 Moreover, several commenters acknowledge that the NTCs' rates for expanded interconnection are among the lowest in the industry. In addition, the terms and conditions for interconnection set forth in the tariff are reasonable. The NTCs have worked cooperatively with the CAPs to meet their needs throughout the process of implementing expanded interconnection in the intrastate jurisdiction. The Commission should, therefore, promptly terminate this investigation of the NTCs' Special Access expanded interconnection tariff, without requiring further modification of the NTCs' rates or terms and conditions.

II. THE NTCs' SPECIAL ACCESS EXPANDED INTERCONNECTION RATES ARE FULLY SUPPORTED

Several parties correctly note that the NTCs' expanded interconnection rates are among the lowest of any LEC. 8

Nevertheless, some commenters argue that the NTCs have failed

NYT's intrastate Special Access expanded interconnection tariff became effective in May 1991, and NET's tariff became effective in August 1991.

Furthermore, the NTCs have provided complete and adequate cost support for their Special Access expanded interconnection recurring and nonrecurring rate elements.

See MCI at p. 6 and at Exhibits 1 and 2; MFS at p. 3.

⁸ Ibid.

to justify the levels for several of their rate elements, including their construction, and power charges. One party also disagrees with the method used by the NTCs to determine space rental rates. If Finally, another argues that the NTCs, and others, engaged in a "blatant disregard of the clear requirements" of the <u>Designation Order</u> in their direct case and that sanctions should be imposed by the Commission. Each of these arguments is without merit and should be rejected by the Commission.

First, the NTCs have fully justified their nonrecurring construction charge. As the NTCs explained in their Direct Case, the NTCs recover both the direct and a proportionate share of the common construction costs through this non-recurring construction charge ("NRC"). The NTCs decided that the most reliable estimate of these costs would be the average of the actual nonrecurring costs the NTCs incurred to provide multiplexing nodes. To develop an average cost, the NTCs used the total costs of each of the 12 multiplexing nodes for which they rendered bills to state expanded interconnection

⁹ MFS at p. 10; Teleport at p. 18; Sprint at p. 3; ALTS at pp. 14-15.

¹⁰ MFS at pp. 16-17.

¹¹ MFS at pp. 6-9.

ALTS at p. 8. ALTS also renews its argument that implementation of zone density pricing should be postponed. (ALTS at p. 20 fn 33.) The NTCs have already demonstrated that ALTS' argument is without merit. See In the Matter of BellSouth Telecommunications, Inc., et al., Zone Density Pricing Plans, CC Docket No. 91-141, DA-93-726, NTCs' Opposition to Applications for Review, filed August 3, 1993.

customers. All of the multiplexing node construction costs reflect the use of outside contractors who were selected by a competitive bidding process. These data provide the best evidence of the costs that the NTCs will incur to provision multiplexing nodes. 13

MFS objects to the manner in which the NTCs apply their tariffed power rates to interconnectors, alleging that the NTCs' practices are unreasonable and impose excessive costs on collocators. 14 Specifically, MFS states that, while it is industry practice to provide power using two feeds (to provide redundancy) it is the NTCs' position that power will be provided only via a single feed. According to MFS, if a customer desires backup power from the NTCs, it must order, and pay for, double the capacity, thereby doubling its power costs. MFS is incorrect. It is not necessary for a customer to order double the capacity from the NTCs to obtain a redundant power feed. Pursuant to their tariff, the NTCs will provide "48 Volt battery-backed D.C. power." The NTCs' tariffed rates include redundancy, using two feeds, as is standard industry practice.

Furthermore, the NTCs have provided complete information concerning the cost elements on which the space construction NRC is based. In their September 16, 1993 exparte filing, the NTCs identified the cost components of the NRC as follows: (1) material - \$8,012.19; (2) equipment engineering - \$4,170.73; (3) space engineering - \$2,689.02; (4) contractor - \$33,969.48; and (5) installation - \$6,036.58.

MFS at pp. 16-17. MFS does not, however, object to the NTCs' tariffed rates for power.

¹⁵ Section 28.2.1(c) (emphasis supplied).

MFS also notes that floor space rental rates vary widely among the LECs, and attributes these differences to the use by the LECs of differing costing methodologies. MFS argues that the Commission should prescribe a methodology, which MFS calls a "comparative market" approach, pursuant to which rental rates would be set based on published real estate industry sources for the area in which the central office is located. 16

methodology suggested by MFS. The cost-based method used by the NTCs to support their floor rental rates is appropriate, and the NTCs' rates are reasonable. The NTCs used data from their Continuing Property Record and Building Inventory System database to develop the annual investment per square foot for multiplexing node space, floor space and transmitter/receiver space. The NTCs derived a recurring cost per square foot for each central office by multiplying the investment per square foot for the central office by a carrying charge factor from ARMIS. As one party correctly noted, 17 the use of net book value to determine the floor space recurring charge is the same method used to allocate and cost land and building investment for the existing DS1 and DS3 channel termination rates, thereby providing an effective check against price discrimination.

Finally, ALTS' claim that the NTCs, and other LECs, should be "sanctioned" for failing to file required information

¹⁶ MFS at p. 9.

¹⁷ See MCI at p. 8.

in the Tariff Review Plan ("TRP") is without merit. 18 As part of their Direct Case, the NTCs filed a TRP containing disaggregated unit investments and expenses for the recurring expanded interconnection rate elements. Because the TRP form requested information related to investment, the NTCs did not file TRP material related to their nonrecurring charges, which are not investment based. After discussions with Commission staff, the NTCs filed a supplemental TRP on September 16, 1993 presenting underlying cost data for non-investment related rates and charges for expanded interconnection. The NTCs have thus complied fully with the requirements of the <u>Designation Order</u>, and ALTS' unfounded calls for "sanctions" should be rejected.

III. THE TERMS AND CONDITIONS OF THE NTCs' SPECIAL ACCESS EXPANDED INTERCONNECTION TARIFF ARE NOT UNJUST OR UNREASONABLE

As the NTCs demonstrated in their Direct Case, the terms and conditions of their Special Access expanded interconnection tariff are commercially reasonable and are fully supported. Several parties, however, continue to question some of the NTCs' terms and conditions.

First, Teleport argues, once again, that the POT Bay, which is required by the NTCs and several other LECs, is an "unnecessary obstacle that adds to the costs of interconnection," and "serves no necessary engineering

¹⁸ ALTS at pp. 8, 12-13.

function."19 In particular, Teleport argues that the POT Bay increases the need for repeaters, thereby inflating the costs of interconnection. 20 As the NTCs have demonstrated in this proceeding, 21 the POT Bay serves as the single point of termination between the interconnector's facilities and the NTCs' facilities. The POT Bay permits the interconnector to perform its maintenance and testing activities at a single location. 22 The alternative to a POT Bay would be for the interconnector to perform its provisioning and maintenance activities at multiple locations in each central office, which would require increased use of escorts, thereby increasing costs to the interconnector, as well as generating additional security problems. Moreover, the use of a POT Bay does not result in an increased need for repeaters. 23 As the NTCs clearly stated in their Direct Case, the NTCs do not include

¹⁹ Teleport at p. A-2.

²⁰ Ibid.

See NYNEX Telephone Companies, Opposition to Petition to Reject or, in the Alternative, Suspend and Investigate, dated April 5, 1993 at pp. 31-32, Direct Case at Appendix A, p. 22.

In support of its argument that the POT Bay is unnecessary, Teleport argues that, "[Teleport] does not understand the difference that several feet (the usual distance between the POT Bay and the interconnector's cage) should make." (Teleport at p. A-3). Teleport simply misses the point. The distance between the POT Bay and the interconnector's cage is not the principal issue. The point is that, without the POT Bay, the interconnector would be required to interconnect its services at multiple NTC locations within the central office.

²³ Teleport at p. A-3.

repeaters in the provision of cross connection service. 24

The NTCs have chosen the location for expanded interconnection within each central office so that the need for repeaters will be minimized. 25

Teleport also objects to the NTCs' tariff provision which provides that expanded interconnection recurring and nonrecurring rate elements will be apportioned based on the percent interstate use ("PIU") of all services provided by the NTCs to the interconnector's multiplexing node. 26 Teleport argues that the 10 percent rule should instead apply to expanded interconnection rate elements. 27 Teleport is incorrect. The 10 percent rule addresses the situation where a facility carries both intrastate and interstate special access traffic. The expanded interconnection multiplexing nodes, however, are used not just for special access traffic, but will also be used for interstate and intrastate switched access traffic. NYT already has state switched access interconnection

Direct Case at Appendix A, p. 20.

Teleport also points to a recent tariff filing by
Ameritech in support of its position that the POT Bay is
unnecessary. In its filing (Transmittal No. 730),
Ameritech did not eliminate the POT Bay. Rather, it only
revised its tariff to permit the interconnector to provide
the POT Bay itself, at its own expense.

²⁶ Teleport at pp. B-28-29.

Teleport at p. B-29. The NTCs use the "ten percent rule" to separate the costs of special access services into state and interstate portions. Pursuant to that rule, if more than ten percent of the special access traffic carried on a facility is interstate traffic, the costs are assigned to the interstate jurisdiction, and the NTCs would charge their customer the interstate tariff rates for the entire line. See 47 C.F.R. §36.154(a).

tariffs in place, and the NTCs' interstate tariff will soon permit switched interconnection arrangements in the multiplexing nodes in their central offices. Because the multiplexing node will be used for switched access services, both state and interstate, as well as special access services, the use of a PIU rather than the ten percent rule, is the appropriate mechanism for jurisdictional revenue and cost allocation for expanded interconnection. 28

Several commenters argue that the NTCs' tariff provision requiring the interconnector to indemnify the NTCs against all claims and liabilities arising out of the use of its facilities in the central office is unreasonable. 29 These commenters are incorrect. This provision is designed solely to keep the NTCs whole in the event of a loss caused by an interconnector. Since the NTCs exercise no supervisory control over the customer's activities in the licensed space, it is entirely appropriate that they be indemnified against any damages which may result from those activities.

Teleport also argues that none of the LECs have "establish[ed] a reasonable nexus between the amount of insurance required and the degree of risk that a collocation

Teleport also argues that the use of a PIU for allocating interstate and intrastate costs should be rejected because "the amount of revenues and costs which would be shifted to the intrastate jurisdiction would simply not be large enough to be worth the trouble." (Teleport at p. B-28). It is unlikely that the state commissions in the NTCs' region would agree that judgments concerning appropriate jurisdictional allocations should be based on such judgments.

²⁹ MFS at p. 25; Sprint at p. A-18; Teleport at p. B-25.

arrangement adds to a central office."³⁰ Nor, according to Teleport, have the LECs justified their prohibition on self-insurance. Teleport is incorrect on both counts. As the NTCs demonstrated, ³¹ since the interconnector will be working on the NTCs' premises, it is appropriate for the NTCs to require insurance to protect against any loss they may suffer through the acts of the interconnector or its agents.

Moreover, the levels of insurance required by the NTCs, which are among the lowest required by any of the LECs, are entirely reasonable in light of the costs which the NTCs would incur in the event a central office was damaged or destroyed due to the acts of an interconnector or its contractors.³²

Furthermore, the NTCs' decision not to permit self-insurance by interconnectors is reasonable. As the NTCs have demonstrated, ³³ if self-insurance were permitted, the NTCs would be required to make individual judgments as to the financial condition of each interconnector, which could easily result in disputes. Moreover, since the financial condition of entities changes over time, the NTCs would also be required to invest the necessary time and resources continually to monitor the financial condition of interconnectors to confirm that those interconnectors who were self-insuring continued to merit

^{30 &}lt;u>Id</u>. at p. B-21.

³¹ Direct Case at Appendix K.

For example, a 1987 fire in NYT's Bushwick Avenue central office caused more than \$50 million in damage.

³³ Direct Case at Appendix K.

that treatment. Requiring a reasonable amount of insurance of all interconnectors provides the most effective way for the NTCs to protect themselves against the liability concerns arising from expanded interconnection. It is also the most equitable, since it would guarantee equal treatment of all interconnectors.

Finally, Teleport takes exception to several of the NTCs' terms and conditions for reclaiming space and rearranging the interconnector's facilities. With respect reclamation of space, Teleport argues that moves of any kind should require six months notice, and that the LEC should "guarantee" that service will not be interrupted in the event of a move. 34

The NTCs demonstrated in their Docket Case that their tariff terms and conditions governing reclamation of space and rearrangement of the interconnector's facilities are reasonable. Pursuant to their tariff, the NTCs can reclaim space or relocate an interconnector's facilities (1) if required by the NTCs to fulfill their obligations under law; (2) upon a taking of the NTCs' premises by eminent domain; (3) if necessary to install additional facilities in a conduit system; or (4) in the event of an emergency. The NTCs will provide the interconnector with advance notice of the required

Teleport at pp. B-15 and B-19.

³⁵ See Direct Case at Appendix G and Appendix J.

The NTCs also retain the limited right to reclaim space from interconnectors, upon 90 days notice, if that space is not being "efficiently used" by the interconnector (See Section 28.1.2(d)).

relocation in all cases, except in the event of an emergency, where they will use reasonable efforts to provide the interconnector with advance notice.

The additional terms suggested by Teleport are unreasonable and unnecessary. First, six months notice for rearrangement of an interconnector's facilities will not always be possible. Clearly, such lengthy notice will not be possible in an emergency. Nor should other prospective interconnectors be required to wait six months if relocation of an existing interconnector's facilities is necessary to meet their needs. Pursuant to their tariff, the NTCs will provide the interconnector with advance notice if relocation is required, and they will negotiate a relocation schedule with the interconnector. Formal, lengthy notification periods for such relocations are simply unnecessary. The Commission should also reject Teleport's request that the LEC be required to "guarantee" that service will not be interrupted in the event of a relocation. Pursuant to their tariff, the NTCs will work with the customer, in good faith, to minimize any service disruptions. 37 Whenever facilities are rearranged, service interruptions remain a remote possibility and it would, therefore, be impossible for any LEC to guarantee that a service interruption would never result during a move.

^{37 &}lt;u>See</u> Sections 28.1.4(c) and 28.4.4(c).

IV. CONCLUSION

As demonstrated in the NTCs' Direct Case, in this
Reply, and in other pleadings filed in connection with their
Special Access expanded interconnection tariff, the NTCs' rates
are reasonable. Furthermore, the terms and conditions
contained in the tariff are just and reasonable and will foster
increased competition. The Commission should promptly
terminate this investigation.

Respectfully submitted,

New York Telephone Company and New England Telephone and Telegraph Company

B--

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Dated: September 30, 1993

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing REPLY COMMENTS OF THE NYMEX TELEPHONE COMPANIES, was served by first class United States mail, postage prepaid, on each of the parties indicated on the attached service list, this 30th day of September, 1993.

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